

CREDIT DISBURSEMENT AND PERCOLATION OF BENEFITS TO WEAKER SECTION
UNDER IRDP : A CASE STUDY OF SALT BLOCK, ALMORA
(UTTAR PRADESH)

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Recognising the large population living in abject poverty, awe-some inequalities and massive unemployment essentially in rural areas, the government have always been instrumental in launching various programmes for rural development since the beginning of the planning in India. With the passage of time, the approach of rural development, however, kept on changing. In the early stages, augmenting the level of growth was the main objective of our planning. But subsequently it was realised that for overall development we need not lay much emphasis on growth. This particular phenomenon has influenced the concern of the government in the recent past and the development as conceived to-day can also be accelerated straight through generating income and employment opportunities. This, in turn, will help in reducing inequalities between the rich and the poor. Hence, a large number of rural development programmes viz., SFDA, MFAL, Antyodaya, Food for Work Programme and more recently the IRDP were taken up during seventies with a view to improving the lot of the rural poor.

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Credit from cooperative and commercial banks is considered as a strategic input for the successful implementation of various kinds of schemes under IRD programme. Therefore, the government sought an active involvement of financial institutions to fulfil the credit needs of the rural poor. The basic idea behind assigning the financial institutions with the responsibility of financing the rural development schemes was mainly to meet the credit need of the rural poor in the right quantum on the right terms and at the right time for productive economic activities in rural areas. Considering this important aspect of these financial institutions, the present study attempts to examine the pattern of credit disbursement and percolation of benefits to the weaker sections of society, besides the other relevant issues concerning it.

Objectives, Scope and Methodology

The study focusses mainly on the analysis of the pattern of distribution of credit by the banks and its utilisation by the beneficiaries under Integrated Rural Development Programme. An attempt is also made to highlight the major shortcomings in implementation and forward some possible suggestions for better efficacy of banking institutions in improving the lot of rural poor. The study is based on the information/data of the Salt block of Almora district in Uttar Pradesh. The degree of backwardness was the major consideration in selection of this block. The pattern of distribution of credit is analysed with the help of the secondary data collected from the block and the locally

available banking institutions. On the other hand, the credit utilisation aspect of the study is analysed with the help of the personal interviews with the beneficiary participants of the selected block.

Pattern of Distribution of Loans

The basic idea behind the institutional support to IRDP is that credit facilities should be sufficiently widespread in rural areas so that quite a large number of target group families can be brought under IRD programme. During the Sixth Plan, assistance under this programme is set to be provided to 150 lakh families. Hence, on an average, at least, 3000 families would be directly assisted under this programme in each block over a period of five years. As far as financial allocation is concerned, from 1980-81 onwards, a sum of Rs.35 lakh is being provided on an uniform pattern to each development block of the country.

In Salt block, the IRDP was started on October 2, 1981, but truly speaking it came into existence since January 1981. Initially the programme was financed by the State Bank of India and the District Cooperative Bank, Almora. Subsequently, the Laxmi Commercial Bank also started to finance the programme during 1982-83. In the beginning, the progress of IRDP was slow, as it could cover only 173 families under its network during 1981-82 as against the target of 600 families per year. The slow progress of the programme in 1981-82 was due to the variety of reasons such as inadequacy of knowledge of the villagers regarding the programme and the manifold problems encountered in

implementation of the programme. Having a better understanding and publicity of the programme among people and with the participation (though not significant) of the Laxmi Commercial Bank, it got momentum during the subsequent years and, about 75 per cent and 95 per cent of the targets in terms of coverage of families were achieved during 1982-83 and 1983-84 respectively. The achievements during 1983-84 seem to be much striking as the year takes into account the progress of IRDP till the end of October 1983. In terms of total quantum of credit distributed among the beneficiaries, the achievements, in general, are appreciable when viewed against the allocation of Rs.35 lakhs per block during 1980-85 as would be evident from the following table :

Table 1 : Credit Disbursement and Beneficiary Families under IRDP

Banks	1981-82		1982-83		1983-84	
	No.	Loan (Rs.)	No.	Loan (Rs.)	No.	Loan (Rs.)
State Bank of India	91 (52.60)	168601 (45.31)	229 (49.67)	584000 (51.05)	231 (40.88)	501100 (37.36)
District Co-operative Bank	82 (47.40)	203500 (54.69)	204 (44.25)	449000 (39.25)	306 (54.16)	765000 (57.04)
Laxmi Cooperative Bank	-	-	28 (6.08)	111000 (9.70)	28 (4.96)	75050 (5.60)
Total	173 (100.00)	372101 (100.00)	461 (100.00)	1144000 (100.00)	565 (100.00)	1341150 (100.00)

Note : Figures in parentheses denote percentages.

Source : Office Records of Salt Block, Almora(U.P.)

It is evident from the above table that the State Bank of India and the District Cooperative Bank, Almora are playing an important role in terms of coverage of number of beneficiary families and the quantum of credit provided to them under the programme. Viewing the role of individual banks, it could be noticed that both the SBI and DCB showed a slow progress in the beginning but enhanced their coverage remarkably in the subsequent years. The Laxmi Commercial Bank could not respond fairly well firstly because both of its branches are located far away from the block head-quarters and secondly due to the fear of the bank officials regarding the repayment of loans by the people belonging to the weakest rung of the society. Looking at the activity-wise break up of beneficiaries and institutional finance provided to them by the banks for the period under reference, we find that animal husbandry is financed on quite a large scale by all the banks. The other two economic activities agriculture and industries could receive only a small proportion of the total bank credit during the period of the study. In fact, the Laxmi Commercial Bank and the District Cooperative Bank have not financed agriculture at all (see Table 2).

Another fact based on Table 2 is that per beneficiary credit in agriculture was Rs.920.20 in 1981-82 but came down to as low as Rs.82.35 in 1983-84. Further, the trend of per beneficiary credit distribution in agriculture and industry seems to be progressively declining more specifically in agriculture where it is decreasing relatively at a faster rate.

Table 2 : Activity-wise Break-up of Beneficiaries and Credit

Activities	State Bank of India						District Cooperative Bank					
	1981-82		1982-83		1983-84		1981-82		1982-83		1983-84	
	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.
0	1	2	3	4	5	6	7	8	9	10	11	12
Agriculture	5	4601	7	4000	34	2800	-	-	-	-	-	-
	(5.49)	(2.73)	(3.06)	(0.69)	(14.72)	(0.56)						
Animal husbandry	56	144000	205	513000	163	431300	82	203500	204	449000	306	765000
	(61.54)	(85.41)	(89.52)	(87.84)	(70.57)	(86.07)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Industries	30	20000	17	67000	34	67000	-	-	-	-	-	-
	(32.97)	(11.86)	(7.42)	(11.47)	(14.71)	(13.37)						
Total	91	168601	229	584000	231	501100	82	203500	204	449000	306	765000
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Cont./-

Table 2 Continued

Activities	Laxmi Commercial Bank				Per-capita Credit			
	1981-82	1982-83	1983-84		1981-82	1982-83	1983-84	
	No.	Rs.	No.	Rs.	No.	Rs.		
0	13	14	15	16	17	18	19	
Agriculture	-	-	-	-	-	-	920.20	
							571.43	
							82.35	
Animal husbandry	-	-	18	48000	28	75050		
			(64.29)	(43.24)	(100.00)	(100.00)	2518.12	
							2365.34	
							2558.05	
Industries	-	-	10	63000	-	-	666.66	
			(35.71)	(56.76)			4814.81	
							1970.59	
Total	-	-	28	111000	28	75050	2151.87	
			(100.00)	(100.00)	(100.00)	(100.00)	2481.56	
							2373.72	

Note : Figures in parentheses denote percentages.

Source : Office Records of Salt Block, Almora, U.P.

Having given an account of overall progress of IRDP in terms of beneficiaries and credit disbursement in Table 1 and activity-wise distribution of credit in Table 2, now the caste-wise break-up of institutional finance is provided in table 3.

The physical and financial targets achieved in case of scheduled caste beneficiaries fall short of the targets set under IRDP because most of the scheduled caste families have meagre resource base. Moreover, the distribution of milch animals to the higher caste families do not necessarily accrue benefits to this class whether directly or indirectly.

Credit Utilisation under IRDP

One of the most important question is : whether the loan advanced for different economic activities has been utilised in a right way to provide the beneficiaries with additional income. Informal discussions with the beneficiaries reveal that the implementing authorities are primarily concerned with the fulfilment of the targets under the programme rather than percolation of benefits to the weaker sections of society. Most of the families taken up under agriculture received credit for purchase of fertilizers, insecticides/pesticides and levelling of fields and construction of small tanks, could not benefit much as these measures were not conducive to accruing benefits on permanent basis because these measures increase production only when irrigation facilities are available in the area. Under animal husbandry, loans were advanced for purchase of milch-

Table 3 : Caste-wise Break-up of Credit under IRDP

Sl. No.	Financial Institutions	1981-82		1982-83		1983-84	
		SC	General Total	SC	General Total	SC	General Total
1.	State Bank of India	7292 (4.33)	161309 (95.67)	96000 (16.44)	488000 (83.56)	44050 (8.79)	457050 (91.21)
			(100.00)		(100.00)		(100.00)
2.	District Cooperative Bank	86500 (42.51)	117000 (57.49)	80000 (17.82)	369000 (82.18)	250000 (32.68)	515000 (67.32)
			(100.00)		(100.00)		(100.00)
3.	Laxmi Commercial Bank	-	-	5000 (4.50)	106000 (95.50)	23900 (31.85)	51150 (68.15)
			-		(100.00)		(100.00)
Total		93792 (25.21)	278309 (74.79)	181000 (15.82)	963000 (84.18)	317950 (23.71)	1023200 (76.29)
			(100.00)		(100.00)		(100.00)

Note : Figures in parenthesis denote percentages

Source : Office Records of Salt Block, Almora, U.P.

animals, sheep and bullocks. Since agriculture is the primary occupation which employs more than 90 per cent of the workforce in the block, as per 1971 Census, agriculturists, in general, keep bullocks for agricultural purposes and milch animals for milk and milk product. Poor irrigation facilities (net irrigated area 6.3 per cent) and predominance of small and marginal holdings, which constitute together about 60.14 per cent of the total holdings, brought down agriculture at the subsistence level. Thus, the agriculturists having no other sources of income had to depend upon money lenders for purchase of cattle. Since the inception of IRDP, some of the cultivators have been able to purchase she-buffaloes and bullocks through the banks under the programme. To this extent, the programme has really helped the people, but the benefits provided under this scheme are not capable of generating regular flow of income as lack of marketing facilities for milk and milk products force the milkmen to sell their products locally and that too extremely at low prices. This is one aspect of the programme. Another aspect of credit utilisation is that the beneficiaries who got loan sanctioned for purchase of she-buffaloes and bullocks were already having these animals. Such beneficiaries were asked to deposit about half of the sanctioned amount of loan at the point of time the loan was disbursed to them. Part of the loan in most of the cases was either consumed or used for debt repayment. The beneficiaries, categorised under industries got loan for sewing machines, basket making, blacksmithy, carpentry, gold-smithy and flour units.

Most of the beneficiaries who received loan for sewing machines do not seem to have got additional employment and income for neither they are professional not willing to take it as a profession due to social inhibitions. Contrary to this, the scheduled caste families who received assistance for tailoring, blacksmithy, basket making are doing very well. Similarly beneficiaries which are provided with credit for gold-smithy, flour units and carpentry are availing the maximum benefits under the programme. Thus, most of the people joining industrial venture seem to be largely benefitted under the programme in true sense.

Deficiencies and Ameliorating Measures

The shortcomings are distinctively inflicted by the peculiar geographical and socio-economic conditions of the block. The nature of terrain in hill region to which Salt block belongs, imposes severe constraints on the level of productive activities on the one hand and on the efficacy of infrastructure facilities such as roads transport, communication, power and irrigation on the other. Besides, the large-scale migration of educated persons to the cities in search of employment creates a vacuum and the chores of domestic activities are left on women and old people who hardly seem to participate in new activities and take greater element of risk. As a result, the banks have limited scope to diversify the economic activities. The overwhelming impact of socio-economic factors does not mean that credit institutions are planning and executing the herculian task of

removing poverty and unemployment in the best possible way. The credit system in Salt block is suffering from certain shortcomings viz., emphasis on credit worthiness of borrowers instead of credit worthiness of purposes for which loans are required. During the course of interview with the beneficiaries, most of whom are provided with milch animals it was noticed that majority of them were small farmers. Marginal farmers and more particularly landless labourers could command comparatively less favour of the banks. As a matter of fact, quite a large number of rural people did not approach the banks due to their illiteracy, meagre productive assets at their command, poverty and inadequate knowledge about the programme. Apart from these factors lengthy and tedious procedural intricacies of getting loan have left the poorest of the poor people high and dry.

Further, the ad-hoc or scattered lending to individuals without a project or area-approach was witnessed in the block. Most of the beneficiaries under various economic activities viz., agriculture, animal husbandry and industries were given specific amount of loan for each economic activity without considering the specific areas and specific target groups. It was noticed during the discussion that loans for she-buffaloes were given almost at uniform rate to all the beneficiaries irrespective of productive assets like ownership of cultivable and pasture land and forest area. A farmer and landless scheduled caste were considered at par and provided with the same amount of loan which could not be termed as rational lending. Thus, the lending for production by

the banks was not supported by lending to the necessary infrastructure, supply structure and marketing structure.

As stated earlier, the credit institutions in Salt block have to realise that the loans disbursed led to the contemplated production. Regular monitoring of the use of loans was generally absent. Above all, the credit institutions as well as the block and district authorities seem to have failed to recognise the shortcomings of the programme and chalk out further corrective measures.

The foregoing discussions reveal that though the quantitative results of the physical and financial targets under IRDP are quite good particularly when viewed in the background of the existing socio-economic conditions of the block, generally the loans disbursed did not lead to contemplated production. Taking into account the resources of the area it would probably be right to think that animal husbandry, horticulture and traditional occupations such as blacksmithy, tailoring, basket-making and carpentry which are gradually vanishing would really contribute to accelerating the pace of development. For this, it is suggested that all the development agencies including the credit institutions have to plan and progress together. The credit institutions have to ensure that credit is tied up with the various economic activities under the programme and supported by appropriate backward and forward non-credit linkages. Further, the fair selection of beneficiaries activity-wise and area-wise coupled with necessary arrangements for input supplies and technical guidance with adequate amount of credit would certainly bring better results.